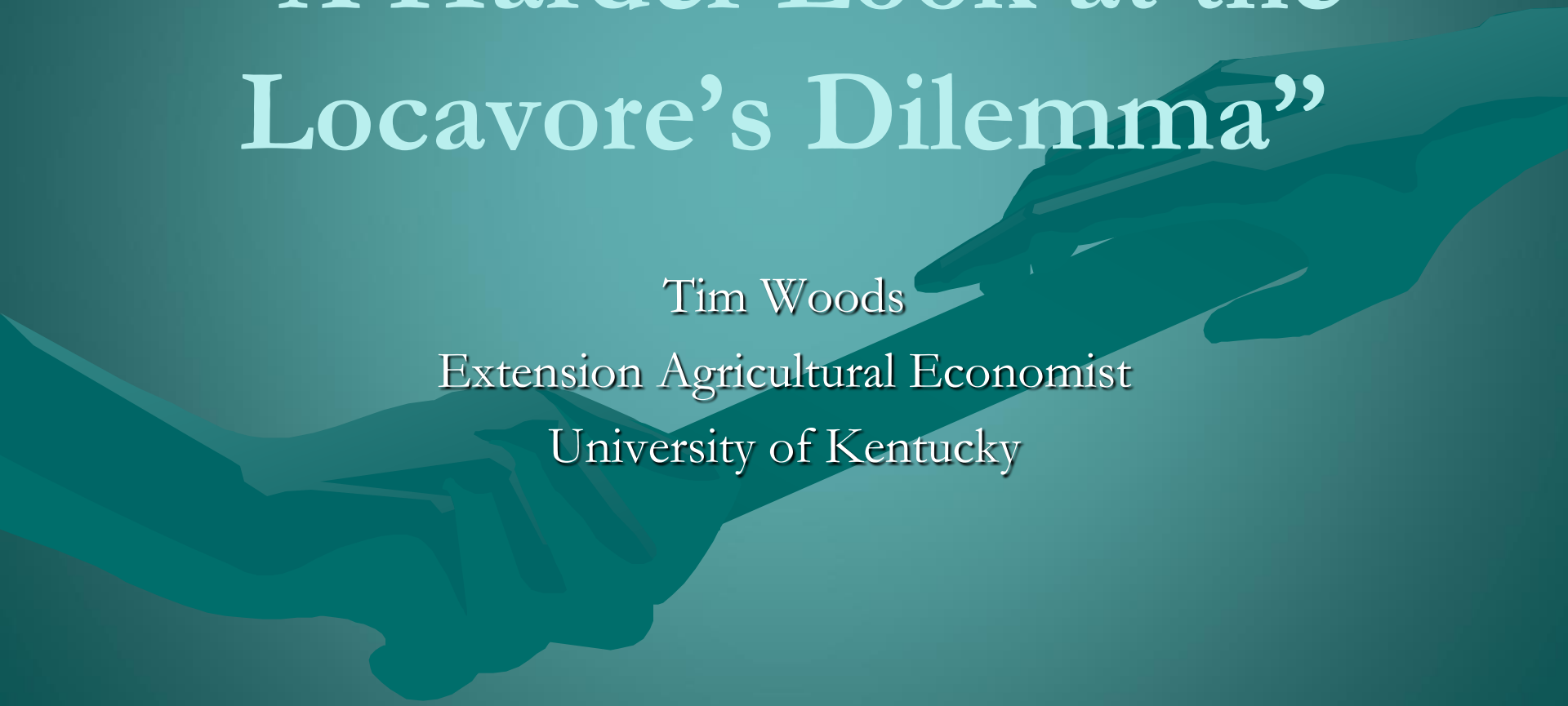


“A Harder Look at the Locavore’s Dilemma”

Tim Woods

Extension Agricultural Economist

University of Kentucky



How Can Agricultural Economists Contribute to Defining Local and Understanding the Changing Market Environment

Tim Woods

Extension Agricultural Economist

University of Kentucky



What are consumers thinking?

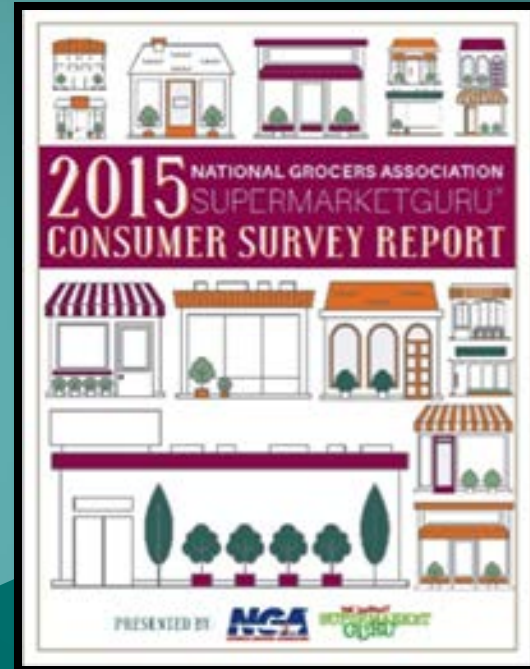


WHAT'S HOT 2016 CULINARY FORECAST



TOP 20 FOOD TRENDS

- 1 Locally sourced meats and seafood
- 2 Chef-driven fast-casual concepts
- 3 Locally grown produce
- 4 Hyper-local sourcing
- 5 Natural ingredients/minimally processed food
- 6 Environmental sustainability
- 7 Healthful kids' meals
- 8 New cuts of meat
- 9 Sustainable seafood
- 10 House-made/artisan ice cream
- 11 Ethnic condiments/spices
- 12 Authentic ethnic cuisine
- 13 Farm/estate branded items
- 14 Artisan butchery
- 15 Ancient grains
- 16 Ethnic-inspired breakfast items
- 17 Fresh/house-made sausage
- 18 House-made/artisan pickles
- 19 Food waste reduction/management
- 20 Street food/food trucks



MarketReady™



What are buyers/consumers thinking?

Restaurant Customers - - -

1. Local meats/seafood (1)
2. Local produce (3)
3. Hyper-local (4)
4. Farm estate branded products (13)

“carries organic products”
Very Important for 29.7%

Source: Nat’l Rest Assoc, 2016

Store offers locally grown produce and other local packaged foods

Where’s the “Local”?



Source: Nat’l Grocers Assoc, 2015

The Locavore's Dilemma

The screenshot shows the Library of Economics and Liberty website. The header includes the site name and navigation links for Articles, EconLog, EconTalk, Books, Encyclopedia, Guides, and Search. A featured article is highlighted with a date of January 3, 2011. The article title is "The Locavore's Dilemma: Why Pineapples Shouldn't Be Grown in North Dakota" by Jayson L. Lusk and F. Bailey Norwood. The article text discusses Oklahoma's farm-to-school program and the economic implications of local food purchases. A quote from the article states: "Local food is generally more expensive than non-local food of the same quality. If that were not so, there would be no need to exhort people to 'buy local.'" A sidebar on the left lists various resources, and a bottom sidebar provides a reference to the Concise Encyclopedia of Economics.

Full Site

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FEATURED ARTICLE | JANUARY 3, 2011

The Locavore's Dilemma: Why Pineapples Shouldn't Be Grown in North Dakota

Jayson L. Lusk*, F. Bailey Norwood*

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EMAIL

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Oklahoma's government, like those of 45 other states, funds a farm-to-school program encouraging cafeterias to buy their food from local sources. U.S. Representative Chellie Pingree (D-Maine) wants to help; she recently introduced the *Eat Local Foods Act* (HR 5806) to assist schools in providing local foods in school lunches. From Michelle Obama's White House garden to grants from the U.S. Department of Agriculture's "Know Your Farmer, Know Your Food" initiative, an agenda has emerged to give local foods more prominence on our dinner plates. Interestingly, no agricultural economist has informed the public that a key claim of local-food advocates—that local-food purchases enhance the local economy—violates the core economic principles taught in every introductory economics class. Until now.

"Local food is generally more expensive than non-local food of the same quality. If that were not so, there would be no need to exhort people to 'buy local.'"

For more information, see [Comparative Advantage](#) and [Free Trade](#) in the *Concise Encyclopedia of Economics*.

A major flaw in the case for buying local is that it is at odds with the principle of comparative advantage. This principle, which economists have understood for almost 200 years, is one of the main reasons that the vast majority of economists believe in free trade. Free trade, whether across city, state, or national boundaries, causes people to produce the goods or services for which they have a comparative advantage and, thus, makes virtually everyone wealthier. Princeton University economist Paul Krugman, who won the Nobel Prize in economics for his contributions to the economics of international trade, called comparative advantage "Ricardo's Difficult Idea"¹ because so many non-economists deny it and are unwilling to understand it. But if people understood comparative advantage, much of the impetus for buying local foods would disappear.

When the tomatoes are ripe and the price is right, we, the two

The Locavore's Dilemma

....some economic realities

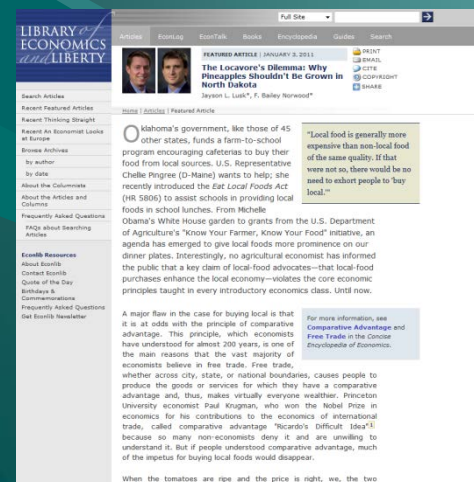
Gains to locational specialization

Trading to comparative advantage creates mutual wealth

Limits to policies encouraging “keeping dollars local”

Food miles and the environment

Does local necessarily mean better quality?

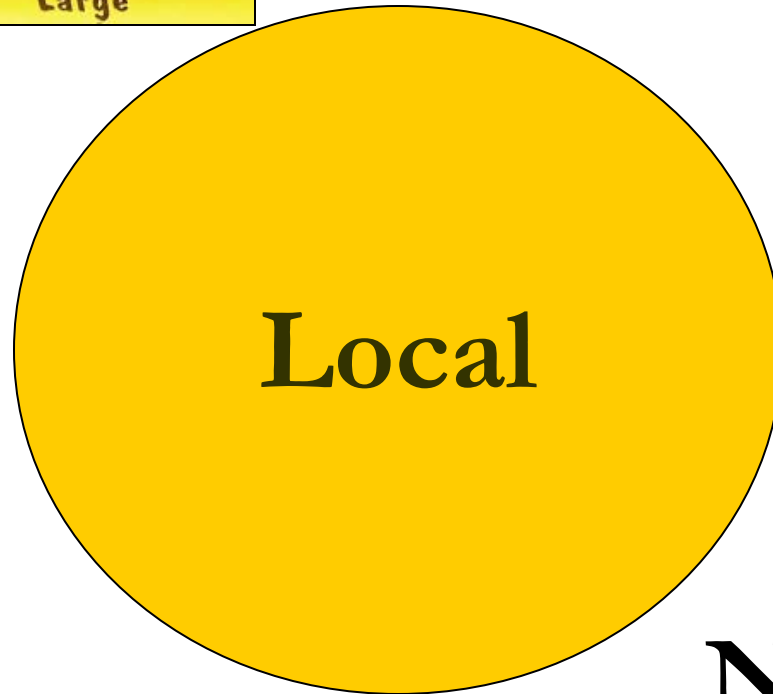


The screenshot shows the Library of Economics and Liberty website. The main article is titled "The Locavore's Dilemma: Why Pineapples Shouldn't Be Grown in North Dakota" by Jayson L. Lusk and F. Bailey Terwood. The article discusses the economic realities of local food production, including the costs of transportation and the benefits of specialization. A quote from the article states: "Local food is generally more expensive than non-local food of the same quality. If that were not so, there would be no need to exhort people to 'buy local.'" Another quote mentions that a major flaw in the case for buying local is that it is at odds with the principle of comparative advantage.

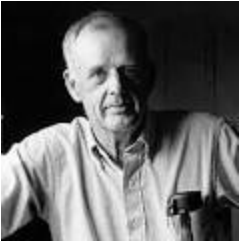
- What is local?
- Why local?
- Does it matter, then, how we go about developing local food systems?
- How might we measure a high performing local food system?



The Local Food Systems Model

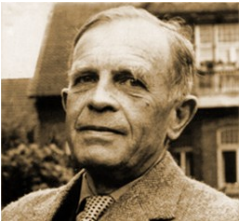


Not Local



Community, social capital, good neighbors as ‘wealth’

The ‘neigh’ in neighbor suggests I pay closer attention to who is nearby – Wendell Berry



Swiss free market economist in opposition to communism and naziism

Consumers should not shrink from the sacrifice of a few cents to carry out an economic policy of their own and support local artisans to the best of their ability and for the good of the community. – Wilhelm Ropke



...you buy local products at Ralph’s Pretty Good Grocery in Lake Wobegon instead of at the mall in St. Cloud because Ralph is your neighbor. – Garrison Keillor

How Local?

Consumers increasingly care about food origin

Truth in advertising?

Credibility for the 'local' brand

- Farmer only farm markets
- Production within so many miles
- Regional appalachians
- State boundaries
- Made in the USA?



Notes – credence and origin

Credence attributes of food growing in importance

- Who produced it?
- How was it produced
- Where was it produced?
- All have implications for **local food systems** and merchandising programs



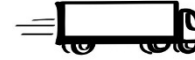
The Local Food Systems Model

State Promotion Programs

Are all local products
worth promoting?
Competitiveness?
State brand equity?



MarketReady™



FSIC
Food Systems
Innovation
Center





Fresh Vegetables
PERISHABLE
VEGETABLES
FARM FRESH!
PRODUCE OF U.S.A.

SUNRIPE
SWEET CHERRY TOMATOES
Following the Sun, Leading in Quality.
PRODUCE OF U.S.A.

ANATED

PRODUCE OF U.S.A.
BLUEBERRIES
PRODUCE OF U.S.A.
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BLUEBERRIES

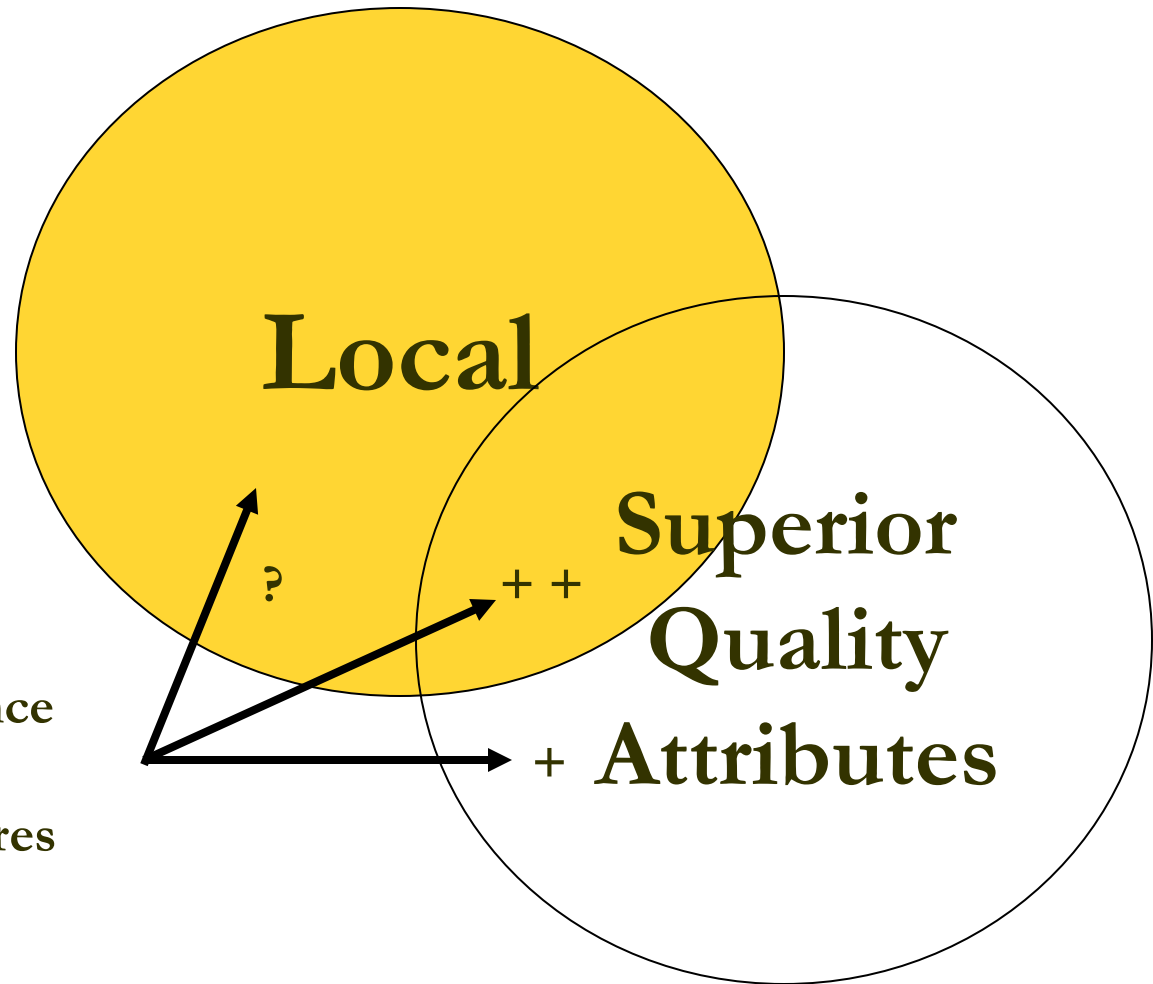
SUNRIPE
SWEET CHERRY TOMATOES
SUNRIPE
JACKIE TOMATOES
PRODUCE OF U.S.A.

CALIFORNIA TOMATOES
Following the Sun, Leading in Quality.
25 LBS. NET WT. (11.34 KG)
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SUNRIPE
JACKIE TOMATOES
Following the Sun, Leading in Quality.
PRODUCE OF U.S.A.

RUSKIN
VINE RIPE
PRODUCE OF U.S.A.

The Local Food Systems Model



Local

**Superior
Quality**

Attributes

?

++

+

Freshness

Safety/Quality Assurance

Taste

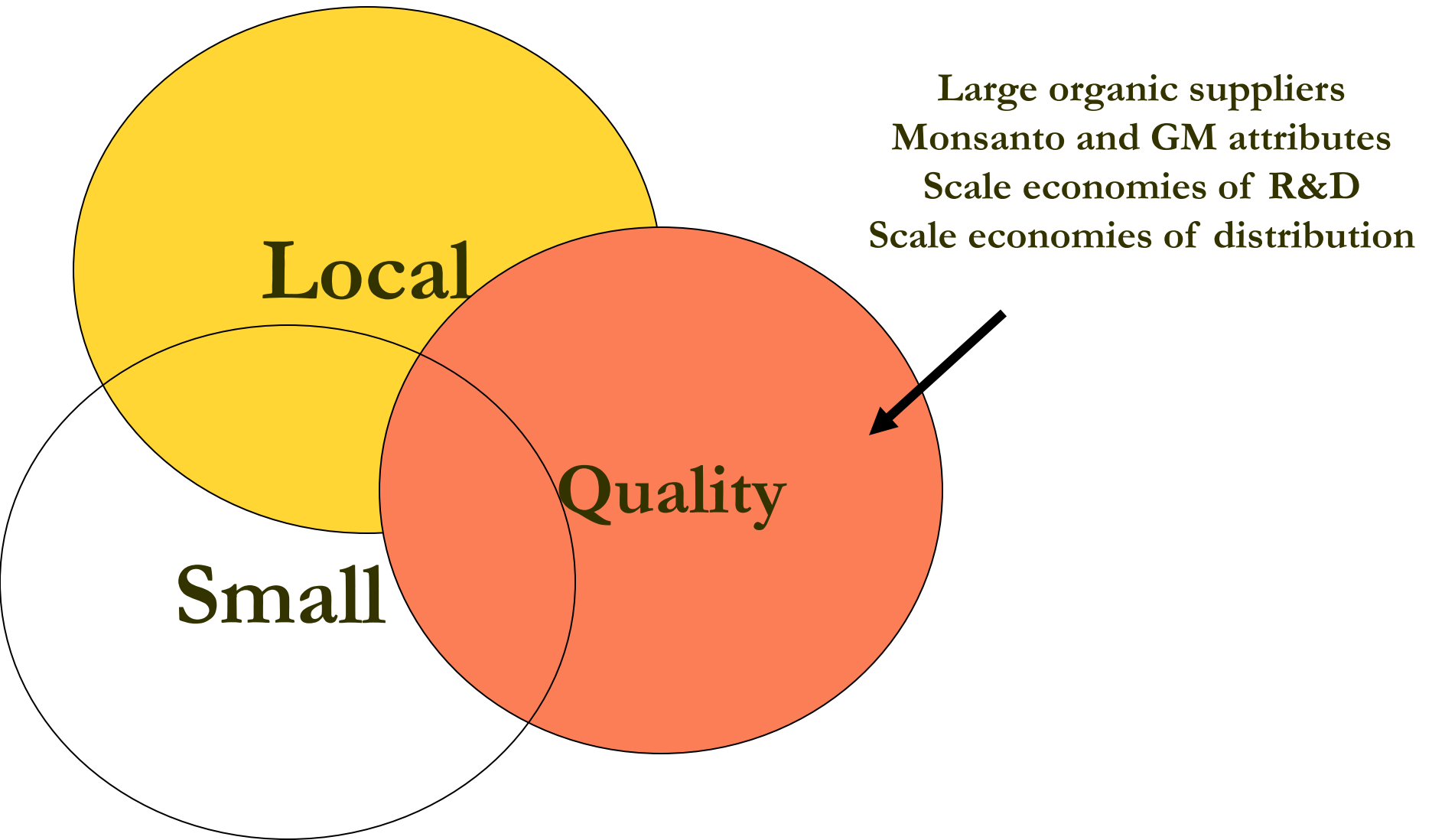
Limited shipping features

Local VA recipes

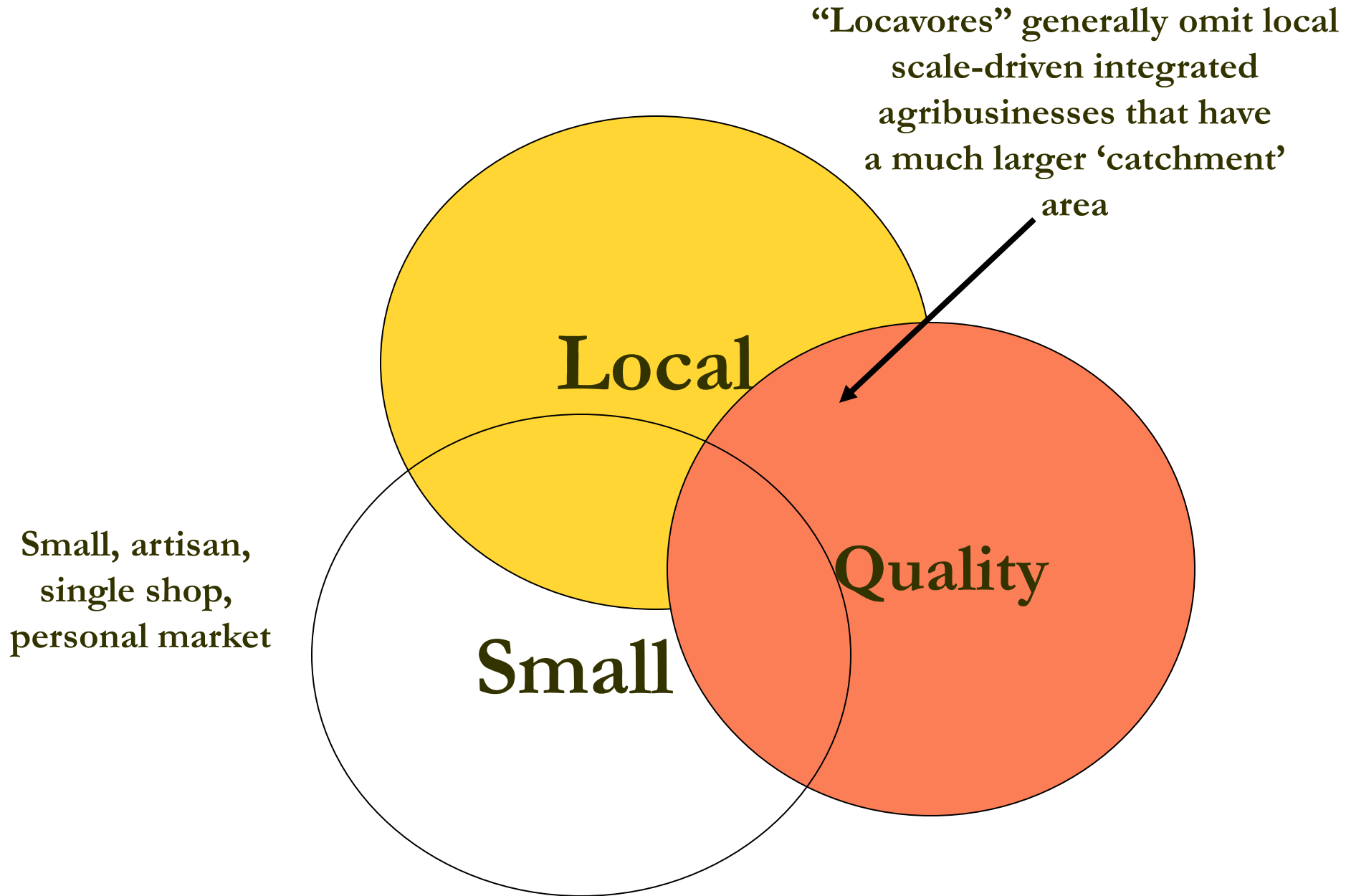
Certified Organic

Experiential qualities

The Local Food Systems Model

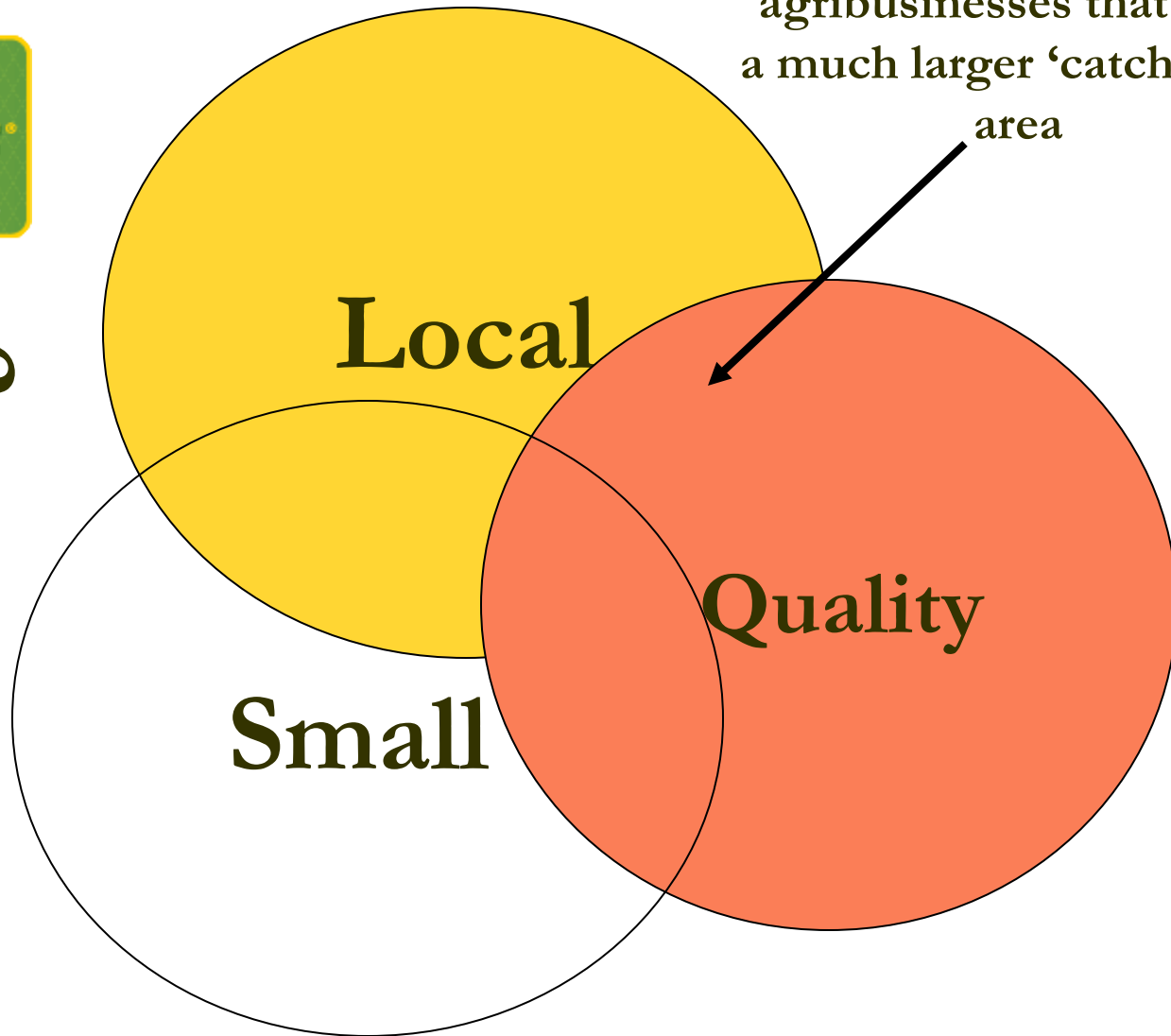


The Local Food Systems Model



The Local Food Systems Model

“Locavores” generally omit local scale-driven integrated agribusinesses that have a much larger ‘catchment’ area



?



7,000 stores
in 48 states

Doing local Big

Frito-Lay pitches its chips as locally made

Campaign customized for each state cashes in on hot trend

By Bruce Horowitz
USA TODAY

Here's proof-positive that more shoppers must seriously want to know where their food comes from: Frito-Lay, the world's biggest snack-food maker, is getting into the act.

Marketing Today, Frito-Lay will unveil an unlikely marketing strategy for its Lay's brand chips that focuses on the 80 "local" farmers from 27 states who grow the potatoes used to make its chips. In a new world of better-for-you food concerns, it's not about chips being fun to eat. It's about chips being local.

And trackable. A tech toy at Lays.com dubbed Chip Tracker will let folks see where any bag of chips was made. Type in the first three digits of the product code on the bag and your ZIP code and out pops the location of the plant.

"Knowing where food is made and grown is important to consumers," says Dave Skena, vice president of potato chip marketing at Frito-Lay. "Sharing with consumers how regional we are is relevant



Frito-Lay

Lay's Local: The brand's biggest campaign in 2009.

and compelling."

TV spots will be focused to make that point. Michigan farmer Brian Walther appears with his brother, Gary, in a spot to air in that state and tells viewers: "Next time you grab a bag of Lay's in Michigan, think of us."

"Lay's Local" will be the brand's biggest 2009

campaign, Skena says. It also features 40,000 in-store displays customized for each state. Ads and regional store displays use such phrases as, "locally made in Texas."

With good reason. A national survey of restaurant chefs by the National Restaurant Association found "locally grown" food to be the hottest industry trend for 2009. Frito-Lay does not claim its products are "locally grown," a popular and hotly debated industry term without a clear definition.

Some say Frito-Lay is trying to fool folks. "They're trying to confuse consumers with something consumers already are confused about," says Dawn Brigid, marketing manager at Sustainable Table, a group in support of "green" eating. "Most of their products are obviously grown on industrial farms."

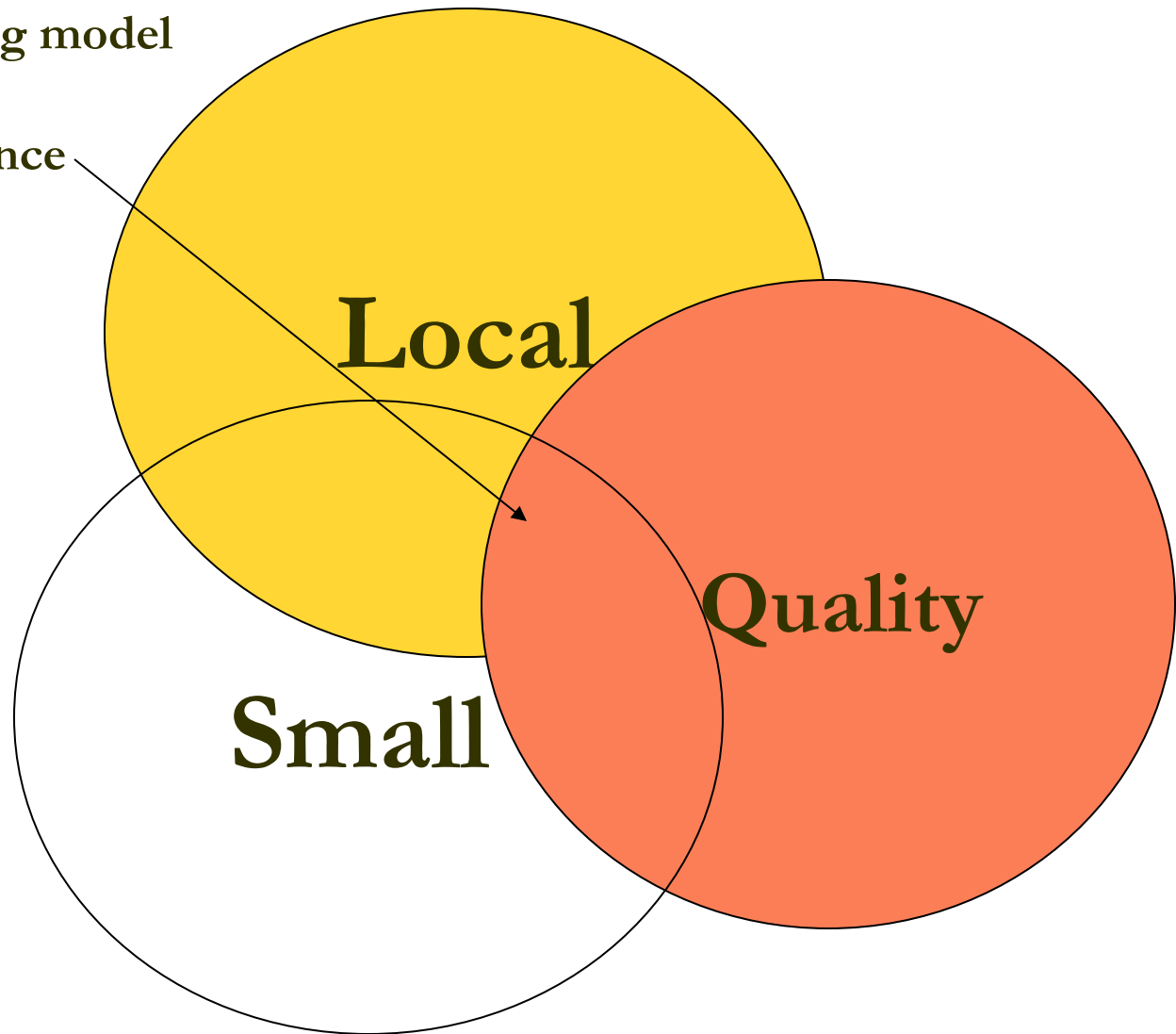
Frito-Lay's new positioning for Lay's is not authentic, says Kate Newlin, consultant and author of *Passion Brands*. "They're trying to take a big, huge brand and make it look tiny. It's a shell game."

But, to Frito-Lay's credit, says ad consultant Allison Cohen at PeopleTalk, the campaign reminds folks that Frito-Lay is an American brand that supports American farmers in tough times.

Says Skena, "Our intention is solely on celebrating the contributions people and communities across the country have made to the Lay's brand."

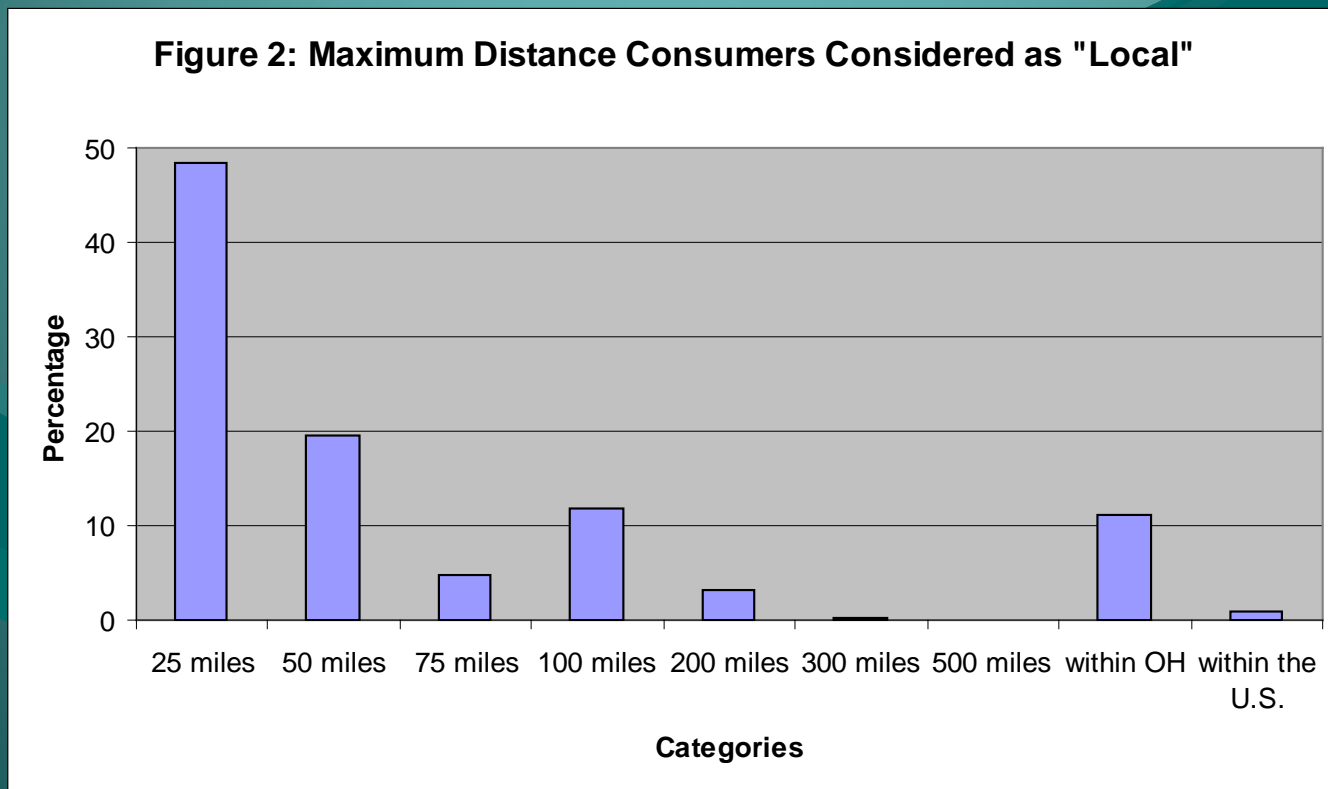
The Local Food Systems Model – In the minds of many, anyway

'Local' Marketing model
focuses
on confluence

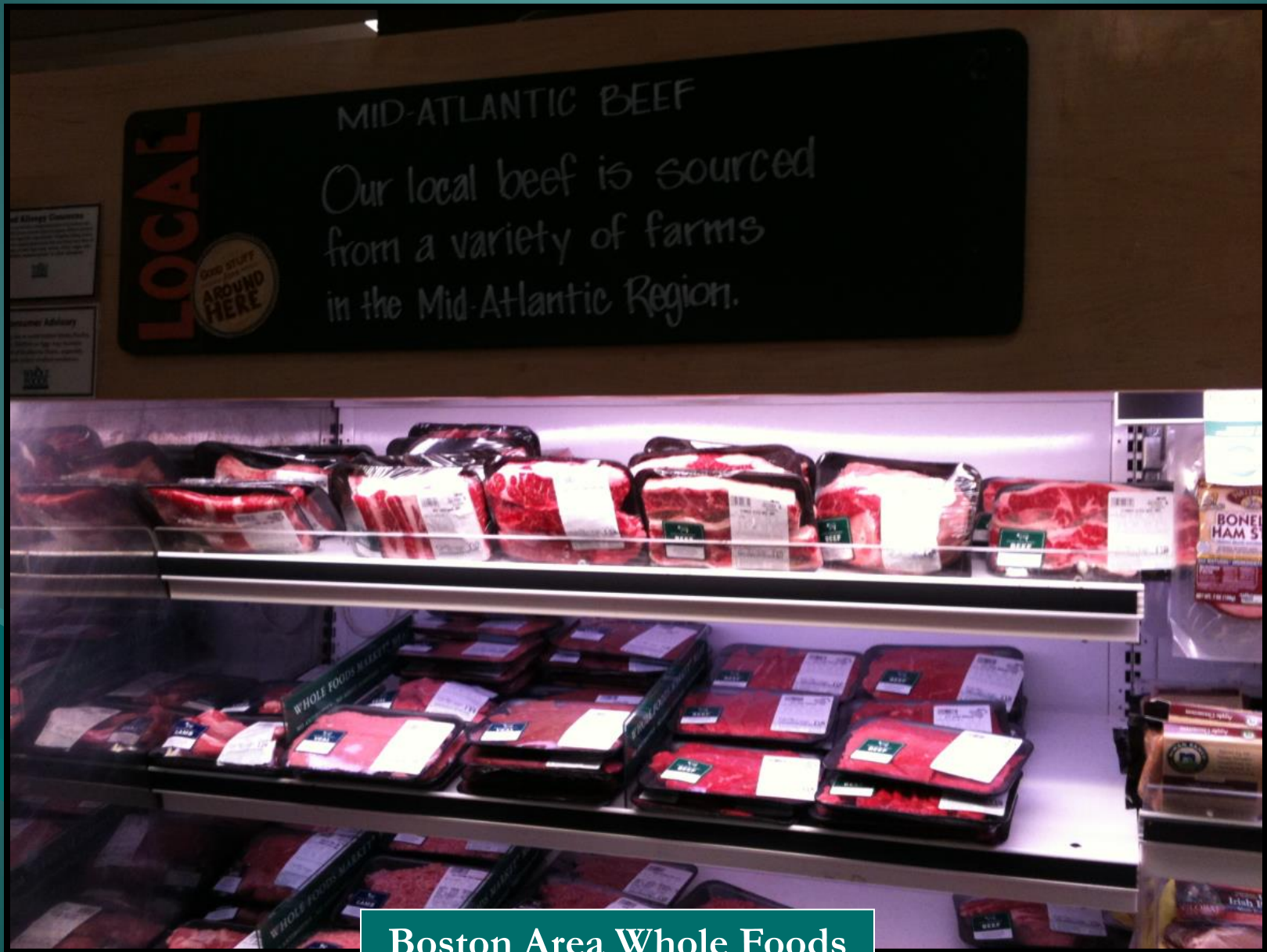


Still a lot to learn about local definitions and bounds

- Defining and Marketing 'Local' Foods: Geographic Indications for U.S. Products – Giovannucci et al
- Batte, Hu, Woods, and Ernst



Wider Definitions of Local by Retailers



Boston Area Whole Foods



“Regional” Produce



“Super local farm estate branded” Produce

Why Consumers Value “Local”

- Minimizing food miles/energy dependency
- Land and environment
- Perceived Safety and Quality
- Support local ag and economy

– Thilmany, Bond, Bond (2008)

- Heritage
- Quality/Health benefits
- Environment and Economy
- Citizenship and community

– Woods & Williamson (2013)



What are buyers/consumers thinking?

Restaurant Customers - - -

1. Local meats/seafood (1)
2. Local produce (2)
3. Hyper-local (6)
4. Farm estate branded products (10)

Source: Nat'l Rest Assoc, 2014

Store offers locally grown produce and other local packaged foods

Where's the "Local"?



Source: Nat'l Grocers Assoc, 2015

Percentage change for local product sales on consumer food co-ops over the last 2 years

Local Products	Declined substantially	Declined Somewhat	Stayed about the same	Increased somewhat	Increased substantially
Meats	3.3%	0.0%	16.7%	33.3%	36.7%
Fresh Produce	1.6%	1.6%	18.0%	44.3%	34.4%
Dairy Products	0.0%	1.9%	25.9%	48.1%	35.2%
Packaged Goods	0.0%	3.3%	38.3%	51.7%	6.7%
Health/Nutr/Cosm	1.7%	3.3%	35.0%	58.3%	0.0%



Source: Woods and Katchova, 2011 (62 stores nationally)

Local demand spreads across market channels

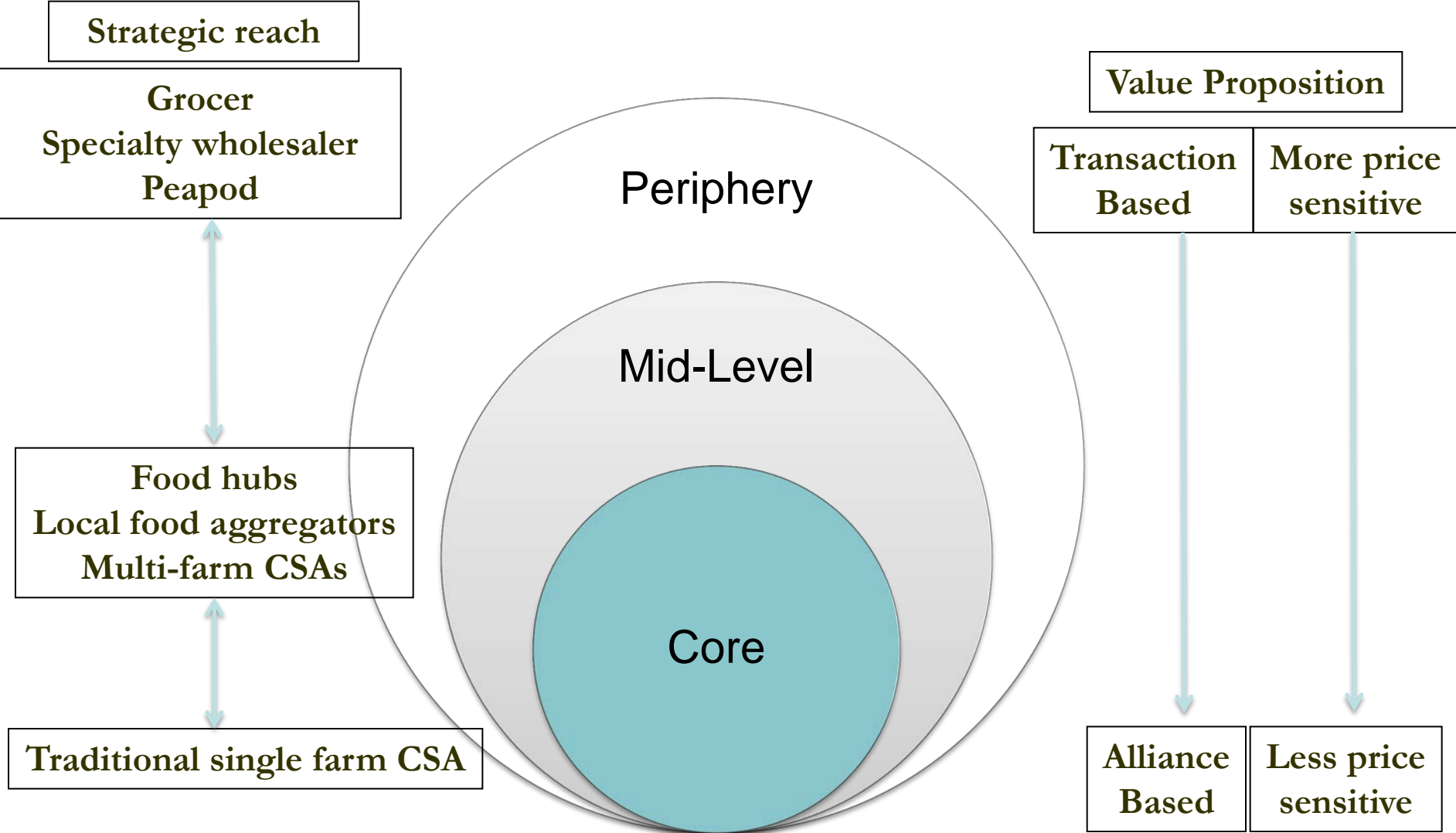
- Community farm markets
- On-farm retail
- Community Supported Ag (subscription)
- Home delivery
- Restaurants
- Grocery
- Farm to school
- Farm to college



Transaction based	Alliance based
Short-term relationships	Long-term relationships
Multiple suppliers	Fewer suppliers
Adversarial relationships	Cooperative partnerships
Price dominates	Value-added services dominate
Minimal investment from suppliers	High investment for both buyer and supplier
Minimal information sharing	Extensive product, marketing, and logistics information sharing
Firms are independent	Firms are interdependent with joint decision making
Minimal interaction between respective functional areas	Extensive interaction between buyer and supplier functional areas

D. Ross, Competing Through Supply Chain Management

Local Food and CSA Shareholders



A few favorite local food development projects on the plate

Recent projects

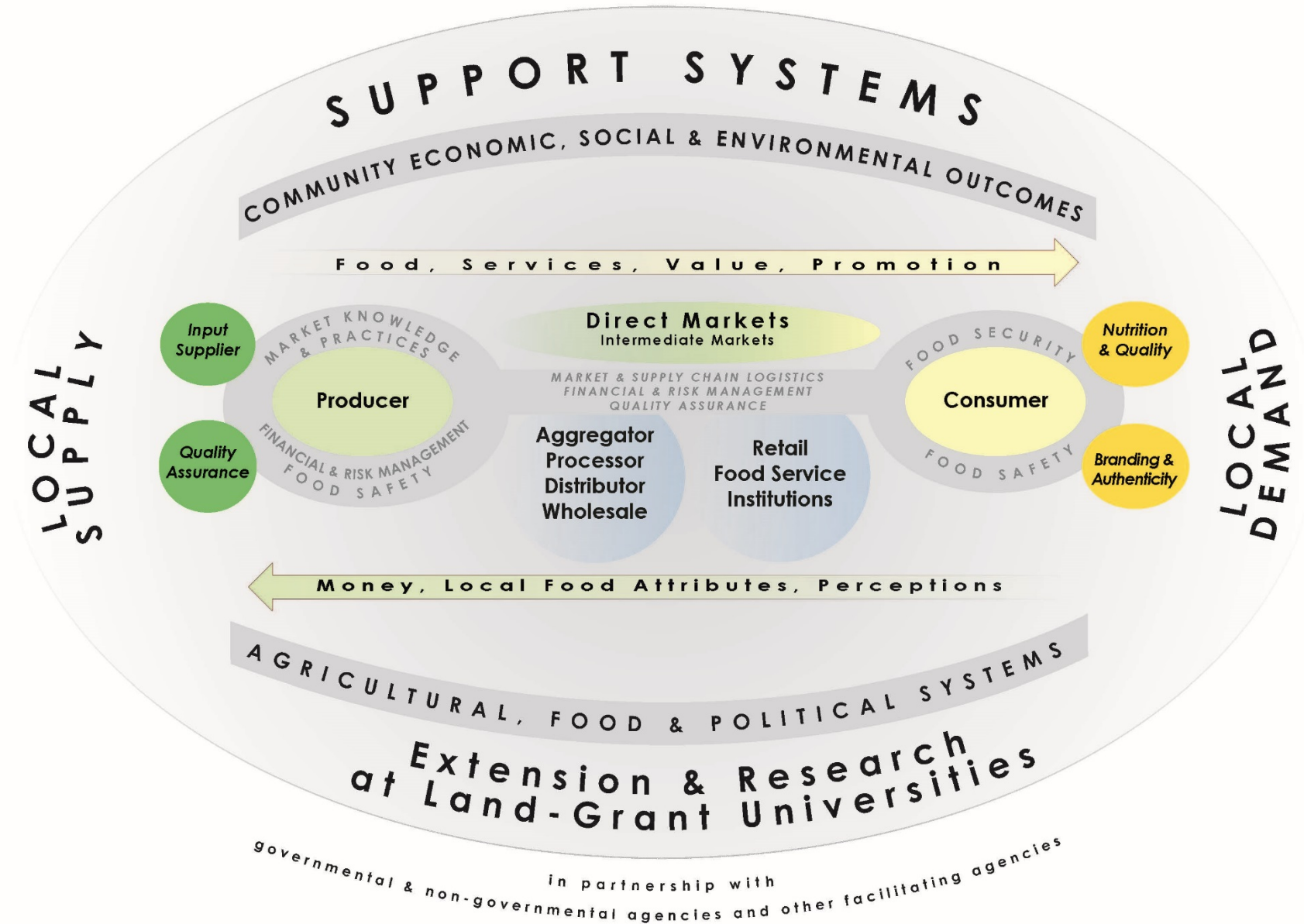
- Farm market sampling – economic impacts and best practices
- Changing CSA business model - - and a CSA health and wellness voucher feasibility study
- Local wine marketing strategies
- MarketReady/FSIC

Looming in the hopefully near future

- Food bank tax credits for farmers
- More CSA wellness
- Economic impact of Restaurant Rewards
- Local food system vitality index measures
- Local food system structure and performance in the EU (sabbatical)

LOCAL FOOD SYSTEMS

through a risk management lens



Top 10 Local Food System Development Themes for LGU Priority Focus

1. Market & Supply Chain Logistics - *
2. Financial and Risk Management for the System
3. Identifying and Measuring Economic, Social, and Environmental Outcomes - *
4. Consumer Demand -*
5. Food Safety -*
6. Financial and Risk Management Tools for Individual Enterprises -*
7. Food Security and Food Access
8. Food System Policy
9. Knowledge Transfer Between Buyers and Sellers
10. Youth, Family, and Community Engagement

* - Choices article complete
Expended SRMEC monograph in revision

4th Quarter 2013

Theme Overview: Developing Local Food Systems in the South

H.L. Goodwin Jr.

JEL Classification: Q10, Q13, Q18, Q19

Keywords: Consumer Demand, Local Foods, Market Supply Chain, Risk Management


Local foods and local food systems (LFS) have garnered much attention in the recent past, including in a previous issue of *Choices* with a theme entitled "[Local Food—Perceptions, Prospects, and Policies.](#)"


Acknowledging that local food systems have developed at varying rates dependent upon regional differences across the United States, the Southern Experiment station directors and Extension directors commissioned a concerted effort to develop meaningful collaborations among Southern land grant faculty. The South has the largest numbers of historically underserved producers and small farmers in the United States. Given the South's traditionally rural character and generally lower incomes than other regions of the United States, a number of challenges must be addressed.


The Southern Risk Management Education Center (SRMEC) identified the top 10 LFS opportunities, as identified by state workshop representatives sent by 1862 and 1890 LGUs. These research and extension priorities will guide future program needs and collaborative

 PRINTABLE VERSION

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 HOW ARE YOU USING CHOICES?

 Recommend 311

 Tweet 0

Articles in this theme:

- [Theme Overview: Developing Local Food Systems in the South](#)
H.L. Goodwin Jr.
- [Risk Management Issues for Small Farms within Local Food Systems](#)
Kenesha Reynolds-Allie, Deacue Fields, and Ron Rainey
- [Response of Land Grant Universities to the Increase in Consumer Demand for Local Foods in the South](#)
Marco A. Palma, Kim Morgan, Tim Woods, and Sean McCoy
- [Local Food Systems Markets and Supply Chains](#)
Timothy Woods, Margarita Velandia, Rodney Holcomb, Rebecca Dunning and Eric Bendfeldt
- [Food Safety Policies and Implications for Local Food Systems](#)
Rodney B. Holcomb, Marco A. Palma, and Margarita M. Velandia
- [Local Food Systems in the South: A Call for a Collaborative Approach to Assessment](#)
R. David Lamie, Rebecca Dunning, Eric Bendfeldt, Joanna Massey Lelekacs, Margarita Velandia and

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